

June 23, 2008

Congressional Committees

Subject: *Military Operations: Actions Needed to Better Guide Project Selection for Commander's Emergency Response Program and Improve Oversight in Iraq*

Since fiscal year 2003, Congress has appropriated more than \$46 billion dollars for relief and reconstruction efforts in Iraq. The Department of Defense (DOD) is one of several U.S. agencies that administer U.S.-funded relief and reconstruction programs in Iraq. In particular, DOD manages the Commander's Emergency Response Program (CERP), which is designed to enable local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out programs that will immediately assist the indigenous population.¹ Thus far, Congress has appropriated more than \$3 billion for CERP in Iraq and Afghanistan. Since the program's inception, DOD has steadily increased its funding requests in response to theater conditions, and reported obligations have also grown substantially. DOD's funding requests have increased by more than a billion dollars from fiscal years 2004 through 2008. For fiscal year 2008, DOD requested \$1.2 billion to fund CERP projects in Iraq and Afghanistan and plans to request an additional \$507 million, primarily for CERP in Iraq. Furthermore, DOD's reported obligations for Iraq and Afghanistan have grown from about \$179 million in fiscal year 2004 to more than \$1.1 billion in fiscal year 2007. In addition, over the same period of time, the number of projects in both countries has grown from about 6,450 to about 8,700. In particular, the number of projects costing more than \$500,000 has increased from 13 in fiscal year 2004 to 276 in fiscal year 2007 and in fiscal year 2007 accounted for about 46 percent of the reported obligations in Iraq and Afghanistan.

According to DOD regulations, CERP is intended for small-scale, urgent humanitarian relief and reconstruction projects for the benefit of Iraqi people. The guidance issued by the Undersecretary of Defense (Comptroller) establishes 19 authorized uses for CERP funds, including transportation, electricity, and condolence payments. In addition, the regulation identifies 10 unauthorized uses of CERP funds, such as a use that directly or indirectly benefits U.S., coalition, or other supporting military personnel.² CERP funds can be used for both construction and non-construction projects. In Iraq, commanders follow Multinational Corps-Iraq (MNC-I) standard operating procedures for CERP, which expand upon DOD regulations. MNC-I guidance states that the keys to project selection are to (1) execute quickly, (2) employ many Iraqis, (3) benefit the Iraqi people, and (4) be highly visible. In

¹CERP was established by the Coalition Provisional Authority in 2003 and was originally funded by seized Iraqi assets and monies from the Development Fund for Iraq. However, in November 2003, Congress appropriated \$180 million for CERP as part of the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, Pub. L. No.108-106 (2003).

²DOD Financial Management Regulation 7000.14-R, vol. 12, ch. 27, Commander's Emergency Response Program (CERP) (Nov. 2007).

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addition, according to MNC-I guidance, projects estimated to cost more than \$500,000 must be approved by the MNC-I commander. Major subordinate commanders have approval authority for less costly projects and may further delegate this authority to the brigade level. MNC-I is the tactical unit responsible for command and control of operations throughout Iraq. MNC-I officials, including engineers, civil affairs officers, and finance officers, administer CERP in Iraq. CERP projects are generally identified and executed at the brigade and battalion levels in Iraq.

DOD regulations identify the roles and responsibilities that different offices play in managing CERP. For example, the Under Secretary of Defense (Comptroller) establishes and supervises the execution of principles, policies, and procedures to be followed in connection with CERP. The Secretary of the Army serves as the executive agent and is responsible for ensuring that commanders carry out CERP in a manner that is consistent with applicable laws, regulations and guidance. The Commander of U.S. Central Command (CENTCOM) is responsible for allocating CERP resources.³

Public Law No. 108-106 and subsequent laws require DOD to provide Congress with quarterly reports on the source, allocation, and use of CERP funds. The reports are compiled based on information about the projects that was entered by unit officials into the Iraq Reconstruction Management System, a database that tracks projects' status and maintains a historical record of all reconstruction activity in Iraq, including those projects funded by CERP.

Because of significant congressional interest, we conducted this work under the authority of the Comptroller General to undertake work at his own initiative and examined the following questions regarding the CERP program in Iraq: (1) To what extent does DOD guidance establish selection criteria for CERP projects? (2) To what extent do commanders in Iraq coordinate CERP with other U. S. government agencies and with the government of Iraq? and (3) To what extent do DOD and MNC-I exercise oversight of CERP projects in Iraq?

To address the objectives, we identified and reviewed guidance for CERP. We interviewed officials from the Offices of the Under Secretary of Defense (Comptroller) and the Assistant Secretary of the Army (Financial Management and Comptroller). We traveled to Iraq to speak with officials at MNC-I and its parent command Multinational Force-Iraq (MNF-I) and at the brigade and battalion levels. We also interviewed officials from selected units that returned recently from Iraq about their experiences implementing, executing, and assessing CERP. In order to evaluate the extent of coordination activities, we interviewed officials at the Department of State, the United States Agency for International Development, and the U.S. Army Corps of Engineers, both in Washington, D.C. and in Iraq. In addition, we performed a trend analysis of reported obligations for CERP projects in Iraq and interviewed officials about information contained in the reports to Congress. Based on interviews with officials about data contained in the reports to Congress, we believe that the data is sufficiently reliable for the purposes of this report. The focus of this report is the use of CERP in Iraq. We plan to issue a report looking at the implementation of CERP in Afghanistan at a later date. A more detailed discussion of our scope and methodology is located in enclosure I. We conducted this performance audit from May 2007 to April 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

³ CENTCOM is one of DOD's six regional combatant commands. Its area of responsibility includes Iraq and Afghanistan. Combatant commanders are responsible for overseeing U.S. military operations that take place in their geographic area. CENTCOM determines the allocation of funds between Iraq and Afghanistan.

On May 2, 2008, we briefed congressional staff on our observations. This report summarizes the information discussed at that briefing. We are attaching slides from the briefing in enclosure II.

Summary

DOD has established broad selection criteria for CERP projects, which gives significant discretion to commanders in determining the types of projects to undertake. CERP is intended to provide commanders a source of funds that allow them to respond to urgent, small-scale humanitarian relief and reconstruction needs that will immediately assist the local Iraqi population. However, DOD guidance provides no definition for small-scale or urgent, which leaves commanders with the responsibility of developing their own definitions. Commanders we interviewed had varying definitions for small-scale. For example, one commander told us that he would not execute projects that cost more than \$200,000, whereas another commander told us that he executed projects that cost more than \$1 million. Another commander focused on projects that cost from \$20,000 to \$100,000 that would immediately provide drinking water to the local population, while other CERP-financed water projects have cost more than \$5 million. Yet another commander chose to execute projects that would be completed while his unit was deployed. Furthermore, our review of the quarterly reports to Congress demonstrated the wide spectrum in size and costs of projects. For instance, projects ranged from a waterline repair costing slightly more than \$100 to an electrical distribution system costing more than \$11 million. In addition, during our visit to Iraq, we observed three projects: a multimillion-dollar sewage lift station, a several hundred thousand dollar sports center and community complex, and a fruit and vegetable stand that had been renovated with a \$2,500 grant. Commanders typically defined urgent as restoring a basic human need, such as water and electricity, or projects identified by the local Iraqi government as its most pressing requirement for the area. As a result, the scale, complexity, and duration of projects selected vary across commands. While the majority of CERP projects have cost less than \$500,000, the number of projects costing more than \$500,000 has increased significantly. Some of these projects cost millions of dollars and are estimated to take more than 1 year to complete (see table 1). According to DOD officials, factors contributing to the increasing number of CERP projects costing more than \$500,000 include the lack of other available reconstruction money, improved security in the region and the fact that many of the immediate needs of the Iraq people were addressed during the initial phases of CERP.

Table 1: Trends in CERP Projects in Iraq

	FY 2004	FY 2005	FY 2006	FY 2007
Number of projects ^a	4,101	7,266	3,811	6,915
Number of projects costing \$500,000 or more	10	181	151	228
Reported funds obligated (in millions)	\$139.3	\$716.4	\$509.7 ^b	\$897.9 ^b

Source: GAO analysis of DOD data.

^aThis number includes projects that are not reconstruction but involve cash payouts, such as condolence, battle damage, detainee, and grant payments.

^b According to DOD officials, additional projects valued at \$400,000 in fiscal year 2006 and \$16.7 million in fiscal year 2007 were reported in the Army's financial management system but were not captured in the Iraq Reconstruction Management System due to units being in remote locations and not having access to the database. As a result, these projects and their costs were not included in the detailed quarterly reports but were included in the summary report to Congress.

DOD officials told us that they are satisfied with the broad CERP guidance and that any modification, specifically defining small-scale and urgent, might affect the program's flexibility, which is a large part of what makes it such an attractive tool for commanders to

use. However, without a clearer definition of small-scale and urgent, commanders are developing a wide range of interpretations such that it is difficult to determine whether the projects being selected by the commanders in fact are consistent with DOD's intent for the program.

Commanders reported that they generally coordinated projects with the appropriate U.S. and Iraqi officials, as required by guidance. MNC-I guidance requires commanders to coordinate CERP projects with various elements, including the local Iraqi government agencies, civil affairs elements, and Provincial Reconstruction Teams (PRT).⁴ The officials include Iraqi government personnel as well as military and nonmilitary U.S. officials. MNC-I guidance further states that coordination with local officials is critical to ensure that a project meets a need and will be maintained and that numerous projects have been built that did not meet their intended purpose because of lack of coordination. Unit officials we interviewed said that they coordinated projects through the appropriate PRT or embedded PRT element, and also coordinated with the appropriate Iraqi government officials before beginning the construction of a project. For instance, commanders told us that they met with the local leader, such as the local sheik or mayor, to learn of the types of projects needed in the area and to gain buy-in for the sustainment of projects. Many commanders told us that they had a good working relationship with the PRT or the embedded PRT and believed that personality played a role in the effectiveness of the relationship between commanders and the PRT or embedded PRT. Furthermore, Army officials told us that they coordinated with representatives from the national ministries on projects costing more than \$500,000. For example, a CERP-funded hospital would be coordinated with the Ministry of Health. MNC-I guidance does not require commanders to coordinate with Department of State or United States Agency for International Development officials who are not part of the PRT or embedded PRT. However, MNC-I guidance notes that coordination efforts may include synchronizing CERP projects with complementary programs funded by United States Agency for International Development or other nongovernmental organizations within the commander's area of responsibility. Military, Department of State, and United States Agency for International Development officials we interviewed in Iraq said that the presence of the PRTs and embedded PRTs had improved coordination between programs funded by these agencies and they were generally satisfied with the coordination that was taking place. Commanders also stated that they only coordinated with the U.S. Army Corps of Engineers on CERP projects that were very costly or very complex.

While the MNC-I project approval process provides some oversight, the Offices of the Under Secretary of Defense (Comptroller), the Army and MNC-I have limited oversight of CERP in Iraq because they (1) do not require units executing projects to monitor them, (2) have not established performance metrics, and (3) have limited knowledge of projects under \$500,000. The Office of the Under Secretary of Defense (Comptroller) limits its oversight to developing CERP guidance, reviewing the CERP quarterly reports, and submitting the CERP budget request to Congress. The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) reviews both the quarterly report submitted to Congress and the CERP budget request before it is submitted to Congress. According to officials from the Offices of the Under Secretary of Defense (Comptroller) and Assistant Secretary of the Army (Financial Management and Comptroller), CERP is a commanders' program that should retain maximum flexibility and therefore limit their oversight of CERP although they noted that both offices have access to the Iraq Reconstruction Management System database. MNC-I develops implementing guidance for CERP in Iraq and approves all projects costing \$500,000 or more, but has no role in the approval process for projects costing less than

⁴PRTs are a joint civilian-military interagency effort that serve as the primary interface for U.S. and coalition partners and provincial and local governments throughout Iraq. Embedded PRTs are civilian-led teams that work in concert with the brigade combat teams.

\$500,000 and only limited visibility of projects under \$500,000. The MNC-I approval process requires extensive documentation prior to approval, such as a detailed scope of work that clearly identifies the work that the contractors need to perform as well as the estimated costs for the projects, documentation that those handling the funds are authorized to do so, and a purchase request and commitment document authorizing the release of funds. Additionally, although not required, many commanders we spoke with reported having proposed projects reviewed by their legal staff.

- **Project monitoring:** Neither DOD nor MNC-I guidance establishes a requirement for units executing projects to monitor them. MNC-I guidance has a broad requirement for the MNC-I engineer to monitor reconstruction projects, but does not include a requirement for units executing projects to monitor them. Project monitoring is included in the CERP guidance for Afghanistan and, as we recently reported, is a generally accepted quality assurance principle.⁵ Although DOD's and MNC-I's guidance does not require project monitoring by units that execute the projects, unit-level officials we interviewed stated that they, or their representatives, generally conducted site visits of ongoing construction projects, but often lacked the knowledge to ensure that contractors built projects to the correct specifications. Some said that they were not subject matter experts, and unless something was blatantly erroneous with the construction, they may not be able to determine whether the projects were built to contractual specifications. In a recent testimony, we noted that the capacity to properly manage and oversee contractor performance was one of the essential elements for achieving good acquisition outcomes, and if any of the elements were missing, it could lead to unmet expectations. Having the right people with the right skills to oversee contractor performance is crucial to ensuring that DOD receives the best value for the money spent on CERP projects.⁶ In conducting site visits, commanders told us that they found projects that were executed by previous units in various states, for example, completed but not sustained by the Iraqi government, vandalized, or nonexistent. The lack of formal project monitoring guidance to units that are executing projects leaves it to the discretion of commanders to conduct site visits. In the absence of such a requirement for regular monitoring, commanders and ultimately MNC-I officials miss the opportunity to gather information that could be useful in assessing future uses of CERP funds, including helping them to decide the success rates of projects and whether certain types of projects should be undertaken in the future and whether CERP funds are being used in a fiscally responsible manner. Also, the lack of subject matter experts puts DOD at risk of being unable to identify and correct poor contractor performance, which could affect the cost, completion, and sustainability of CERP projects.
- **Performance metrics:** No performance metrics exist for CERP. As we have previously reported, federal agencies should develop plans that establish objective, quantifiable, and measurable performance goals that should be achieved by a program. We have also noted that as agencies align their activities to support mission-related goals, they should also make better linkages between levels of funding and their anticipated results.⁷ Performance metrics might include quantitative data, such as the number of projects sustained by the government of Iraq or the number of people employed as a result of a CERP project, or qualitative data obtained from the surveys periodically conducted of the Iraqi people. In the absence of such metrics, commanders, as they move through their areas of responsibility, sometimes develop their own indicators or

⁵GAO, Defense Logistics: *The Army Needs to Implement an Effective Management and Oversight Plan for the Equipment Maintenance Contract in Iraq*, GAO 08-316R (Washington, D.C.: Jan. 22, 2008).

⁶GAO, *Stabilizing and Rebuilding Iraq: Actions Needed to Address Inadequate Accountability over U.S. Efforts and Investment*, GAO-08-568T (Washington, D.C.: March 11, 2008).

⁷GAO, Executive Guide: *Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118 (Washington, D.C.: June 1996).

use anecdotal information to assess the impact of CERP funds. For example, in addition to forming their own views, commanders may talk to Iraqis who have benefited from the projects, talk to Iraqis who operate the projects, or speak with members of the local Iraqi government about the impact of the CERP projects. The Secretary of the Army serves as the executive agent and is responsible for developing procedures to ensure that commanders carry out CERP in a manner that is consistent with applicable laws, regulations and guidance. The CENTCOM Commander is responsible for allocating CERP resources. We believe that parameters for information gathering could be established, which then could be incorporated into commanders' current interactions with the local Iraqi leaders. This would provide a more consistent basis for assessing the impact of CERP projects. Without performance measures or indicators, MNC-I and DOD do not have the necessary data to assess the results or outcomes of the CERP projects, and therefore lack information that would be useful in evaluating and validating commanders' requests for CERP funding needs.

- **Limited knowledge of projects under \$500,000:** Although MNC-I officials have some visibility over projects costing more than \$500,000 because they approve these projects, they have limited visibility and oversight for projects costing less than \$500,000. Our analysis indicates that about 97 percent of CERP projects in Iraq cost less than \$500,000 in fiscal year 2007. This equates to more than \$507 million, or 56 percent, of reported obligated funds for CERP projects in Iraq. Currently, MNC-I officials receive the same information that is included in the quarterly reports to Congress on all CERP projects in Iraq, including those costing less than \$500,000. The information in these reports is limited—project number, project location, a brief description of the project, and the reported obligation amount. MNC-I officials said that they do not review the projects listed in the reports for appropriateness and only become involved with projects costing less than \$500,000 if a problem is brought to their attention. The quarterly reports do not provide information about the number of projects completed during a quarter, the number of projects that have been started but not completed, or the number of projects that have not been sustained or maintained by the Iraqi government or the local population. Program managers need operational and financial data to determine whether they are meeting their agencies' goals and utilizing resources effectively and efficiently.⁸ Without greater visibility, MNC-I does not have a basis for assessing the outcomes of projects costing less than \$500,000, evaluating commanders' funding requests, or assessing the effective and efficient usage of CERP resources in meeting the program's intent.

Recommendations for Executive Action

As DOD continues to request funding for CERP projects in Iraq, it is important that DOD and commanders at all levels have the information needed to determine whether projects are meeting the intent of the program, assess program outcomes, and be better informed about their funding requests. Therefore, to improve the program and management, we recommend that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) to revise DOD's CERP guidance to include

- definitions of small-scale and urgent and
- a requirement that units that execute CERP projects provide project monitoring to ensure that contractors have met the contract specifications.

⁸GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1999).

Furthermore we recommend that the Secretary of Defense direct Undersecretary of Defense (Comptroller) in conjunction with others to develop performance measures or indicators for CERP and use these indicators as well as other information to evaluate project effectiveness and sustainability as well as the program's budget requests.

In addition, we recommend that the Chairman of the Joint Chiefs of Staff direct the Commander of CENTCOM to direct the Commander of MNF-I to take steps to gain greater visibility of projects costing less than \$500,000, such as obtaining and reviewing summary information on the status of projects, completion rates, and impact of projects on the community.

Agency Comments and Our Evaluation

In written comments to a draft report DOD generally agreed with our recommendations. DOD also stated that CERP is an important tool that military commanders are using effectively in Iraq and Afghanistan and noted that they welcomed our findings as another opportunity to improve operations in Iraq. DOD's comments are reprinted in enclosure III. In addition, DOD provided technical comments which we incorporated as appropriate.

In commenting on the draft report, DOD concurred with our recommendations to revise DOD's CERP guidance to include definitions of small-scale and urgent and require that units that execute CERP projects provide project monitoring to ensure that contractors have met the contract specifications. According to DOD officials, the Department has revised its CERP guidance to reflect these changes.

DOD partially concurred with our recommendation to develop performance measures or indicators for CERP and use these indicators as well as other information to evaluate project effectiveness and sustainability as well as the program's budget requests. DOD noted that the department has revised its CERP guidance to require the development of performance indicators for projects and agreed that processes must be established that will help guarantee the successful completion of projects. However, DOD did not agree that past projects are a primary factor in determining future projects. In our report, we did not indicate that past projects should be a primary factor in determining future projects and understand that CERP is intended to meet the immediate needs of the local population. As we noted in the report, we believe that agencies should make linkages between levels of funding and their anticipated results. Performance metrics would provide data that would allow DOD to evaluate overall program effectiveness and use this information as one factor in evaluating and validating commander's project proposals and related budget requests for CERP.

DOD partially concurred with our recommendation to direct the Commander of MNF-I to take steps to gain greater visibility of projects costing less than \$500,000, such as obtaining and reviewing summary information on the status of projects, completion rates, and impact of projects on the community. However, DOD noted that MNC-I would be the appropriate organization to receive this recommendation. As we noted in our report, MNF-I relies on MNC-I to administer CERP in Iraq. Hence, our recommendation is directed to MNF-I because it is CENTCOM's overarching authority for military operations in Iraq and MNC-I reports to it. Furthermore, DOD noted that MNC-I tracks all projects and monitors their progress using the Iraq Reconstruction Management System and participates in division coordination meetings. MNC-I officials were not able to provide us with basic program information such as how many projects had been started but not completed and what the status of projects were after completion. Although this information may exist in the Iraq Reconstruction Management System database, it appears that it is not being evaluated. Moreover, while MNC-I regularly

participates in division-level coordination meetings, at which subordinate units present significant projects, our recommendation is geared toward having greater visibility over projects costing less than \$500,000. As we noted in our report, MNC-I officials stated that they do not become involved in these projects unless a problem is brought to their attention.

We are sending copies of this report to other interested congressional committees and the Secretary of Defense. Copies of this report will also be made available to others upon request. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions on the matters discussed in this report, please contact me at (202) 519-9619 or at pickups@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in enclosure IV.

A handwritten signature in black ink that reads "Sharon L. Pickup". The signature is written in a cursive, flowing style.

Sharon L. Pickup, Director
Defense Capabilities and Management

Enclosures - 4

List of Committees

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Daniel K. Inouye
Chairman
The Honorable Ted Stevens
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Ike Skelton
Chairman
The Honorable Duncan L. Hunter
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable John P. Murtha
Chairman
The Honorable C.W. Bill Young
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

Enclosure I: Scope and Methodology

To determine the project selection criteria for the Commander's Emergency Response Program (CERP) in Iraq, we obtained and reviewed guidance from the Department of Defense (DOD), Multinational Corps-Iraq (MNC-I), and the Combined Joint Task Force and assessed changes in guidance over time. We also traveled to Iraq to interview officials at higher commands, including those responsible for the overall management of CERP at MNC-I as well as commanders, staff judge advocates, comptrollers, civil affairs officers, and project purchasing officers from Multinational Division-Baghdad (MND-B) about how program objectives are developed and what criteria exist for project selection. Additionally, we interviewed officials at the Office of the Under Secretary of Defense (Comptroller) and the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) as well as military officials at the division, brigade, and battalion levels, including commanders, staff and brigade judge advocates, civil affairs officers, paying agents, project purchasing officers, executive officers, finance officers, effects officers, and targeting officers at selected units that redeployed from Iraq from January 2007 through December 2007, regarding what guidance and criteria were used to select projects. We selected these units (1) based on their redeployment dates from Iraq; (2) to ensure that we obtained information from officials at the division, brigade, and battalion levels who had direct experience with CERP; and (3) because unit officials had not yet been transferred to other locations within the United States or abroad.

To assess the extent to which commanders coordinate CERP projects with other U.S. reconstruction programs, such as those funded by the Department of State, the United States Agency for International Development (USAID), and the U.S. Army Corps of Engineers, and with the Iraqi provincial government, we reviewed and analyzed current applicable guidance to determine what coordination, if any, was required. We also interviewed officials at selected returned units that had redeployed from Iraq from January through December 2007, and officials at the Department of State, USAID, and the U.S. Army Corps of Engineers in Washington, D.C., to determine the extent of their coordination activities. Additionally, we traveled to Iraq and interviewed officials at higher commands, including officials at MNC-I and MND-B such as commanders, judge advocates, comptrollers, civil affairs officers, and project purchasing officers from MND-B and officials based in Iraq from the Department of State, USAID, and the U.S. Army Corps of Engineers-Gulf Region Division about what coordination takes place and what, if any, mechanisms were in place to ensure coordination between agencies and with the Iraqi government.

In order to determine the extent to which DOD provides oversight, including reviews of annual funding requests, we obtained and reviewed applicable guidance to ascertain what type of oversight is required and what oversight and monitoring procedures are in place. We also interviewed officials at the Office of the Secretary of Defense (Comptroller) and the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) as well as officials at selected returned units, and we traveled to Iraq to interview officials at higher commands, including officials at MNC-I and MND-B, as well as commanders, judge advocates, comptrollers, and civil affairs officers from MND-B about the type of oversight that exists, including the project approval and project monitoring processes. In addition, while in Iraq, we spoke with officials at Multinational Force-Iraq and MNC-I involved in the budgeting process about how annual funding requests are developed and subsequently reviewed. To determine how DOD assesses the impact of program activities, including the use of performance measures, we reviewed and analyzed applicable guidance to see if any measures of effectiveness were required or specified. We also interviewed officials at the Office of the Secretary of Defense (Comptroller) and the Assistant Secretary of the Army (Financial Management and Comptroller) as well as military officials at selected units who had redeployed from Iraq. Additionally, we traveled to Iraq to interview officials at higher

commands, including officials at MNC-I and MND-B, such as commanders, judge advocates, comptrollers, and civil affairs officers about what measures or indicators they used to determine the effectiveness of the program. To gain a further understanding of the impact of projects, we visited selected CERP projects in MND-B.

In addition, we performed a trend analysis of the reported obligations in the quarterly CERP reports to Congress and interviewed officials about information contained in the reports. Based on interviews with officials and our review of a limited number of CERP projects, we believe that these data are sufficiently reliable for the purposes of this report. In addition, we reviewed a small number of fiscal year 2008 CERP project files to become familiar with the documents maintained in the files. We requested a sample of fiscal year 2006 and fiscal year 2007 CERP project files for our audit work, but military officials could not locate the files during the time of our review

We visited or contacted the following organizations during our review:

Department of Defense	Office of the Under Secretary of Defense (Comptroller), Pentagon, Virginia
Department of the Army	Assistant Secretary of the Army (Financial Management and Comptroller) United States Army Forces Command, Fort McPherson, Georgia United States Army Central Command, Fort McPherson, Georgia National Guard Bureau, Arlington, Virginia United States Army Corps of Engineers, Washington, D.C. United States Army Corps of Engineers, Gulf Region Division, Baghdad, Iraq Multinational Force-Iraq, Baghdad, Iraq Multinational Corps-Iraq, Camp Victory, Iraq Multinational Division-Baghdad, Camp Liberty, Iraq 4 th Infantry Division, Camp Liberty, Iraq 1 st /34 th Brigade Combat Team, Minnesota Army National Guard, Rosemont, Minnesota 3 rd Stryker Brigade Combat Team, 2 nd Infantry Division, Fort Lewis, Washington 3 rd /82 nd Brigade Combat Team, Airborne Division, Fort Bragg, North Carolina 25 th Infantry Division, Honolulu, Hawaii
Other government agencies	United States Agency for International Development, Washington, D.C. United States Agency for International Development, Baghdad, Iraq Department of State, Washington, D.C. Department of State, Baghdad, Iraq

We conducted this performance audit from May 2007 to April 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Commander's Emergency Response Program (CERP) In Iraq

Briefing to Congressional Committees

DRAFT

1

- To what extent does DOD guidance establish selection criteria for CERP projects?
- To what extent do commanders in Iraq coordinate CERP projects with other U. S. government agencies and with the Government of Iraq? and
- To what extent do DOD and MNC-I exercise oversight of CERP projects in Iraq?

To meet our objectives, we:

- Reviewed legislation and guidance for CERP projects in Iraq and Afghanistan
- Interviewed DOD officials, Army units in Iraq, Army units returning from Iraq, Department of State, United States Agency for International Development (USAID), and Army Corps of Engineers officials both in Iraq and Washington, D.C.
- Reviewed and analyzed quarterly CERP reports to Congress
- Reviewed audit reports from other agencies
- GAGAS standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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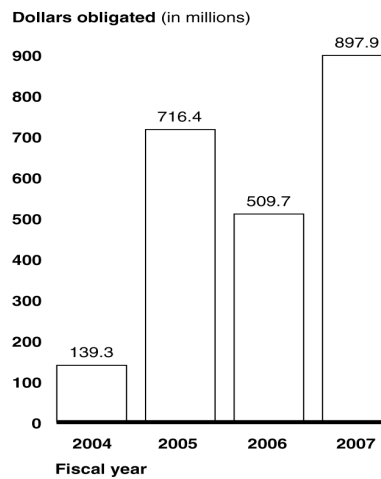
3

- The Commander's Emergency Response Program (CERP) is intended to provide commanders a source of funds to respond to urgent, small-scale humanitarian relief and reconstruction needs that will immediately assist the local Iraqi population.
- In FY 04, Congress appropriated CERP funds as part of the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, Public Law 108-106, section 1110.
- In fiscal year 2008, DOD requested \$1.2 billion for CERP and Congress appropriated about \$500 million to fund the CERP program. DOD is requesting an additional \$480 million for Iraq.

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Trends in Reported CERP Obligations in Iraq for FY 2004-FY 2007

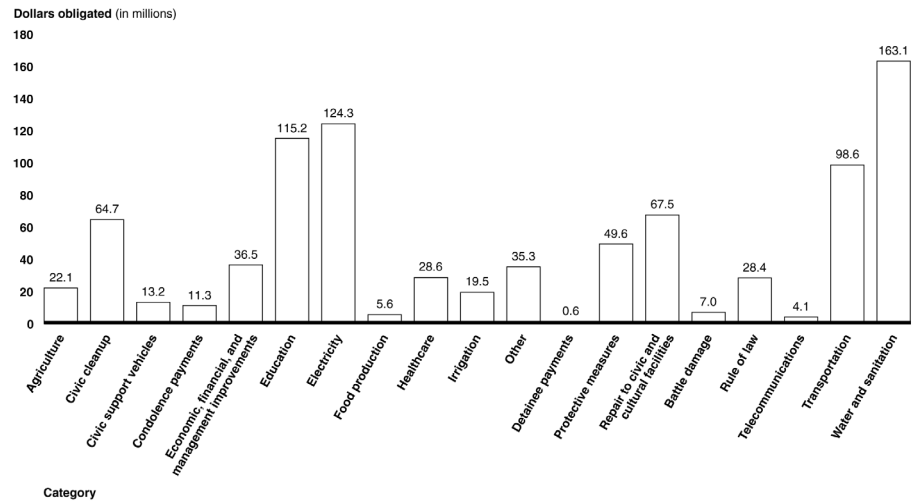


Source: GAO analysis of DoD data.

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FY 2007 CERP Reported Obligations Breakout by Category in Iraq



Source: GAO analysis of DoD data.

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To what extent does DOD guidance
establish selection criteria for
CERP?

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1. water and sanitation
2. food production and distribution
3. agriculture
4. electricity
5. healthcare
6. education
7. telecommunications
8. economic, financial and management improvements
9. transportation
10. rule of law and governance
11. irrigation
12. civic cleanup activities
13. civic support vehicles
14. repair of civic and cultural facilities
15. condolence payments to individual civilians for death or physical injury resulting from U.S., coalition, or supporting military operations
16. repair, or payment for repair of property damage that results from U.S., coalition, or supporting military operations
17. payments to individuals upon release from detention
18. protective measures, such as fencing, lights, barrier materials, berming over pipelines, guard towers, temporary civilian guards, etc.
19. other urgent humanitarian or reconstruction projects

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Source: GAO.

This sewage lift station in the Ghazaliya neighborhood in Baghdad, Iraq is a multimillion dollar CERP project that is being managed by the Army Corps of Engineers-Gulf Regional Division. The lift station will help the sewer system operate correctly and alleviate standing sewage and storm runoff.



Source: GAO.

This sports complex and community center is a CERP project that cost several hundred thousand dollars and is located along a Sunni-Shi'a fault line in the Mansour district in Baghdad, Iraq. Military officials hope that the project will help bring the divided community together.



Source: GAO.

The owner of this market stall was the recipient of a \$2,500 CERP grant, which was used to renovate his produce stand in Baghdad, Iraq.

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1. Direct or indirect benefit to U.S., coalition or supporting military personnel
2. Providing goods, services, or funds to national guard forces, border security forces, civil defense forces, infrastructure protection forces, highway patrol units, police, special police, or intelligence or other security forces
3. Except as authorized by law and separate implementing guidance, weapons buy-back programs, or other purchases of firearms or ammunition
4. Entertainment
5. Reward Programs
6. Removal of unexploded ordinance
7. Duplication of services available through municipal governments
8. Salaries, bonus or pensions of Iraqi or Afghan military or civilian government personnel
9. Training, equipping or operating costs of Iraqi or Afghan military or security forces
10. Conducting psychological operations, information operations, or other US, coalition, or Iraqi/Afghanistan Security Force Operations

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- CERP guidance gives commanders considerable leeway in the approval of projects as long as they meet the intent of the CERP program.
- DOD guidance states that CERP is to be used for small scale, urgent humanitarian and reconstruction needs. However, DOD guidance does not define “small-scale” or “urgent”.
 - DOD officials (Comptroller and Army Budget Office) explained that a finite definition for the terms might impact the program’s flexibility.
- Units we visited had varying definitions for “small scale” and “urgent”.
 - “Small scale” was defined by commanders as one of the following:
 - A dollar amount, or
 - Project type, or
 - Time to complete a project
 - “Urgent” was defined by commanders as one of the following:
 - As restoring basic human needs, or
 - By what the local Iraqi population said they needed most (e.g. school, clinic, etc.)

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- Projects may be both construction and non-construction. The type of projects that commanders approve varies and depends upon strategy of the commander, needs of the area, and security in the area.
- MNC-I guidance states the keys to project selection are 1) execute quickly; 2) employ many Iraqis; 3) benefit the Iraqi people; and 4) be highly visible.
- Over time, as conditions change, the type of projects that commanders executed evolved. Some projects cost millions of dollars and are estimated to take more than one year to complete. The number of projects costing over \$500,000 has generally increased and Sons of Iraq (temporary civilian guards who protect critical infrastructure in Iraq) has become a high priority for CERP funds. For instance, a Baghdad military division estimates it will spend about 40 percent of its CERP budget on Sons of Iraq.

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To what extent do commanders in Iraq coordinate CERP projects with other U.S. government agencies and with the Government of Iraq?

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- Guidance for Iraq requires commanders to coordinate with the following:
 1. Local Iraqi government agencies,
 2. Civil affairs elements,
 3. Engineers,
 4. Provincial reconstruction and development councils,
 5. Provincial Reconstruction Teams (PRTs). PRTs consist of civil-military officials, including Department of State and United States Agency for International Development officials, and primarily focus on
 1. Improving governance,
 2. Increasing security,
 3. Developing the economy, and
 4. Reconstruction
- Coordination with the Department of State and United States Agency for International Development is not required by guidance, except at the PRT level, but MNC-I guidance notes that coordination may include complementary programs provided by USAID and other non-governmental agencies.

- Commanders reported coordinating CERP projects with the appropriate PRT and with the local Iraqi governance; however the extent of coordination with PRTs was a function of the rapport between the entities.
- Some PRTs in Iraq are embedded (ePRT) with the brigades; while others are larger individual organizations. Army officials in Iraq stated that they had an excellent relationship with ePRTs and believe the presence of PRTs and ePRTs have led to improved coordination between military, Department of State, and United States Agency for International Development efforts.
- Army officials told us that projects costing over \$500,000 were coordinated with appropriate officials within the Iraqi government, including ministry representatives.
- Units that we visited generally stated that coordination with Army Corps of Engineers was limited to larger or more complex projects.

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To what extent do DOD and MNC-I exercise oversight of
CERP projects in Iraq?

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- Guidance establishes the approval levels for projects thereby providing some level of oversight in theater.
- Although MNC-I has some visibility over projects costing more than \$500,000 because they approve these, they have limited visibility and oversight for projects costing less than \$500,000. MNC-I is not involved in the approval process for projects that cost less than \$500,000. Our analysis indicates that about 97 percent of CERP projects in Iraq cost less than \$500,000 in FY 07. This equates to more than \$507 million, or 56 percent, of reported obligated funds for CERP projects.

	CERP Project Amount	Approval Authority	Can be Delegated?
Iraq	Over \$500,000	Multinational Corps-Iraq Commander	No
	Less than \$500,000	Major Subordinate Command Commander	Yes

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- Oversight is an element of the project approval and project monitoring processes. These two phases of the CERP process receive varying levels of oversight.

Project Approval

- Commanders we spoke with reported vetting projects through the appropriate approval authorities including Brigade commanders and Staff Judge Advocates who checked to ensure that the projects fell within CERP guidelines.
- Many commanders that we visited told us that the approval process was too bureaucratic and cumbersome which impacted their ability to respond quickly to the needs of the local population. For example, one commander told us that it took 30-45 days between identifying a project and getting the project started.
- One division has established an automated approval system for CERP projects. Subordinate units scan in the CERP documentation required for project approval and can then track where the projects stands in the approval process through a web portal.

Project Monitoring

- DOD and MNC-I guidance directs strict control over the fiscal tracking for CERP projects, but does not require units who execute the projects to conduct project monitoring, such as site visits, to ensure that projects meet specifications.
- Commanders or their representatives we visited stated that they conducted site visits to determine the status of project completion. However, they told us that often they did not possess the proper skill sets to determine if a project was built to specifications.

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- Afghanistan guidance requires oversight of CERP projects. Specifically, units must provide a quality assurance and quality control mechanism for all CERP projects.
- Afghanistan guidance also requires that technical engineering support be used for construction project design and development as well as quality assurance during execution.

- GAO has previously reported that federal agencies develop performance measures for a program.
- Multiple commanders said they believe CERP is an effective program. However, no formal performance indicators have been established to assess the impact of CERP projects in Iraq. Commanders collected some anecdotal information about the impact that CERP had on the local populace.
 - Some commanders reported that they tracked direct and indirect fire attacks as well as improvised explosive device attacks to determine whether attacks increase or decrease after a CERP project is executed in an area. Commanders stated that attacks usually decreased in areas where CERP projects were executed but cannot definitively tie the decrease to the CERP project.
 - Some commanders also cited increased information sharing and greater cooperation from the local Iraqi populace as a positive result of CERP projects.
- Performance metrics might include quantitative data such as the number of projects the Government of Iraq sustained or the number of people employed as a result of a CERP project or qualitative data gathered by surveys of Iraqi people.

- DOD officials, specifically OSD Comptroller and Army Budget Office, view CERP as a commander's program which should retain maximum flexibility and therefore limit their oversight to reviewing the CERP quarterly reports to Congress.
 - Army Budget Office reviews the quarterly CERP reports to Congress for completeness and to ensure that project descriptions match the project category. OSD Comptroller then reviews the quarterly CERP reports to Congress for completeness, accuracy of calculations, and whether the project's description is assigned to the appropriate CERP category. Additionally, the OSD Comptroller's General Counsel reviews the reports to Congress.
 - OSD Comptroller and Army Budget Office officials informed us that they rely on commanders and those administering CERP in theater to determine what CERP projects are appropriate.
- Multinational Force-Iraq said that they do not have responsibility for CERP because it is a Title 10 function, and rely on MNC-I to administer CERP.
- MNC-I receives the quarterly CERP reports to Congress that contains all CERP projects, including those costing less than \$500,000 and reviews the reports to ensure that projects are correctly categorized, but does not review them for the appropriate use of CERP funds. MNC-I typically only becomes involved with projects that cost less than \$500,000 when they are notified that there is a problem with the project or there could be a problem with it.

- MNC-I develops the budget request for CERP based on such things as information received from Multinational Divisions on planned projects and historical execution. However, they do not review and prioritize planned projects from the Multinational Divisions prior to sending the request to U.S. Central Command (CENTCOM).
- CENTCOM sends the annual budget request to the Army Budget Office. It is a line item request for the entire program and no supporting justification is required.
- The Army Budget Office reviews the request and the funding level for the previous year, then adds a percentage increase for inflation prior to the request being sent to Congress. Their review of the CERP funding request includes coordinating with the Army officials in charge of operations to ascertain anticipated deployed strengths and force rotations, and with CENTCOM finance officials to obtain CERP requirements for Iraq and Afghanistan. If the operational command does not provide a specific requirement for increased CERP funding, the Army Budget Office holds CERP funding constant and adds an inflation factor, and then forwards the request to OSD Comptroller and the Office of Management and Budget for review and subsequent release to Congress.
- CENTCOM determines the funding level between Iraq and Afghanistan.

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Enclosure III: Comments from the Department of Defense



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

JUN 6 2008

Sharon L. Pickup
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Pickup:

This is the Department of Defense response to the Government Accountability Office (GAO) draft report, GAO-08-736R, "*Military Operations: Actions Needed to Better Guide Project Selection for Commander's Emergency Response Program and Improve Oversight in Iraq*," dated May 2, 2008 (GAO Code 351054).

By providing authority for the Commanders' Emergency Response Program, Congress has made available an important tool that our military commanders are using effectively in Iraq and Afghanistan. We welcome the GAO findings as another opportunity to improve operations in Iraq. The Department's responses to the recommendations included in draft report are enclosed. Technical comments have been provided to your staff separately.

Thank you for the opportunity to respond to this draft report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tina W. Jonas", is written over a horizontal line.

Tina W. Jonas

Enclosure:
As stated

**GAO DRAFT REPORT – DATED MAY 2, 2008
GAO CODE 351054 /GAO-08-736R**

*"Military Operations: Actions Needed to Better Guide Project Selection for Commander's
Emergency Response Program and Improve Oversight in Iraq"*

**DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATIONS**

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) to revise its Commander's Emergency Response Program (CERP) guidance to include:

- a definition of small-scale and urgent, and
- a requirement that units that execute CERP projects provide project monitoring to ensure that contractors have met the contract specifications.

DOD RESPONSE: Concur. DoD has issued revised guidance to incorporate these recommendations.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense (Comptroller), in conjunction with others, to develop performance measures or indicators for the Commander's Emergency Response Program and use these indicators as well as other information to evaluate project effectiveness and sustainability as well as the program's budget requests.

DOD RESPONSE: Partially Concur. DoD has amended the Commander's Emergency Response Program (CERP) guidance to require performance indicators for CERP-funded projects. The revised guidance will require that performance indicators be developed and submitted as part of a project proposal package in theater and used to evaluate it through project close-out.

We agree with the GAO that CERP projects must be established with processes that will help guarantee successful completion. However, given the fact that CERP is directly linked to the immediate warfight and is, by design, focused on projects that will meet the needs of the immediate situation, we do not concur that past projects are a primary factor in determining future projects. CERP funding is driven by the security situation in theater and that is the environment that the local commanders use in prioritizing projects. It is this influence of CERP in the irregular warfare of counter-insurgency that the military commanders identify as its intrinsic value.

RECOMMENDATION 3: The GAO recommends that the Chairman of the Joint Chiefs of Staff direct the Commander, U.S. Central Command to direct the commander, Multi-National Forces-Iraq to take steps to gain greater visibility of projects costing less than \$500,000, such as obtaining and reviewing summary information on the status of projects, completion rates, and impact of projects on the community

DOD RESPONSE: Partially Concur. DoD has revised the guidance accordingly. However, we note that the Multi-National Corps-Iraq (MNC-I) would be the appropriate organization for this recommendation. In addition, MNC-I currently tracks all projects and monitors their progress. The MNC-I regularly participates (in person or via video-teleconference) in division-level coordination meetings at which subordinate units present significant projects and status information.

Enclosure IV: GAO Contacts and Staff Acknowledgments

GAO Contact Sharon Pickup, (202) 512-9619 or pickups@gao.gov

Acknowledgments: In addition to the contact named above, Carole Coffey, Assistant Director; James Ashley; Grace Coleman; Joel Grossman; Nicole Harms; Melissa Hermes; Larry Junek; Ron La Due Lake; Gregory Marchand; Leo Sullivan; Sonja Ware; and Karen Werner made key contributions to this report.

(351054)

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